

PUBLIC DISCLOSURE

March 2, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HAVERHILL BANK

Certificate # 26411

180 MERRIMACK STREET

HAVERHILL, MASSACHUSETTS

Division of Banks

1000 Washington Street, 10th Floor

Boston, Massachusetts 02118

Federal Deposit Insurance Corporation

350 Fifth Avenue, Suite 1200

New York, New York 10118

<p>NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution's CRA Rating	
	a. Overall Rating	2
	b. Scope of Examination	3
	c. Description of Institution	5
	d. Description of Assessment Area.....	6
	e. Conclusions Regarding Performance Criteria	10
III.	Appendices	
	Appendix A: Division of Banks - Fair Lending Policies and Procedures.....	A-1
	Appendix A: General Definitions	A-3

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

*This document is an evaluation of the CRA performance of **Haverhill Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **March 2, 2015**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.*

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank’s performance under each of these tests is summarized below:

Lending Test

The Bank is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

- The loan-to-deposit (“LTD”) ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs.
- The Bank made a majority of its home mortgage loans in 2013 and 2014, and sampled commercial loans in 2014, inside the designated assessment area
- The geographic distribution of home mortgage and sampled commercial loans reflects reasonable dispersion throughout the assessment area, particularly in low- and moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes.
- Haverhill Bank did not receive any CRA-related complaints during the review period.

Community Development Test

The Bank is rated “**Satisfactory**” under the Community Development Test.

The Bank demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution’s capacity and the need and availability of such opportunities throughout the institution’s assessment area.

SCOPE OF EXAMINATION

Examiners used Intermediate Small Bank (“ISB”) examination procedures, as established by the Federal Financial Institutions Examination Council (“FFIEC”), to evaluate the Bank’s CRA performance. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution’s applicable home mortgage and commercial loans during the review period. The Community Development Test is an analysis of community development loans, investments and services since the prior evaluation dated June 1, 2009.

The Bank’s most recent Report of Condition and Income (“Call Report”), dated December 31, 2014, indicates that residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 72.6 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 19.1 percent of the loan portfolio. Consumer lending and small farm lending account for only 1.7 percent, combined, of the loan portfolio. Due to the small number of consumer and small farm loans, these product lines were not analyzed.

Data reviewed includes home mortgage loans reported on the Bank’s Home Mortgage Disclosure Act (“HMDA”) loan application registers (“LARs”) from 2013 and 2014. The HMDA LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 127 loans totaling approximately \$26.3 million in 2013 and 94 loans totaling \$18.7 million in 2014. The Bank’s home mortgage lending performance was compared against 2013 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the Bank’s assessment area. The evaluation focused on lending performance in 2013, as aggregate data for 2014 was not yet available.

The Bank does not collect or report small business lending data. Therefore, a statistical sample of the overall commercial originations from 2014 was used for the Lending Test. In 2014, the Bank originated 50 commercial loans totaling \$12.1 million. From this universe of loans, examiners collected data from a statistical sample of eight loans totaling \$2.7 million.

While the Lending Test presents loans by dollar amount under the Assessment Area Concentration performance factor, the remaining criteria present and discuss number of loans. Conclusions are primarily based on the number of loans originated or purchased, as large or small dollar amounts could skew the data. Furthermore, more weight was placed on residential lending performance based on the composition of the Bank’s loan portfolio and the larger volume of home mortgage loans compared to commercial loan volume during the evaluation period.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between the previous evaluation, dated June 1, 2009, and the current evaluation, dated March 2, 2015. Due to the unavailability of donation data between 2009 and 2011, examiners evaluated qualified donations between January 1, 2012, and March 2, 2015.

The evaluation primarily references demographic information from the 2010 United States (U.S.) Census. Business demographics are based on data obtained from Dun & Bradstreet. Bank financial data was generally obtained from the Bank's December 31, 2014 Call Report.

The Bank's assessment area encompasses cities and towns in Massachusetts and New Hampshire, all of which are part of the Boston-Cambridge-Quincy, Massachusetts-New Hampshire Metropolitan Statistical Area (MSA). The Interstate Banking and Branching Efficiency Act (IBBEA) of 1994 amended the CRA to require ratings and conclusions for each multi-state MSA in addition to the ratings and conclusions for overall performance. However, as the Bank's assessment area is delineated entirely within the single multi-state MSA, overall performance and performance in the multi-state MSA is identical. For that reason, this evaluation presents one set of facts, data and conclusions that apply to overall and multi-state MSA performance.

PERFORMANCE CONTEXT

Description of Institution

Haverhill Bank is a State-chartered mutual savings bank headquartered at 180 Merrimack Street in Haverhill, Massachusetts. The FDIC and the Division granted approval in November 2011 to the merger of Economy Co-operative Bank of Merrimac, Massachusetts into and with Haverhill Bank. Economy Bank's sole office in Merrimac now operates under the Haverhill Bank name. In addition to the main office, the Bank has five full service branch offices; two in the City of Haverhill and one each in Bradford (a village of Haverhill), Merrimac, Massachusetts and Salem, New Hampshire. The Bank's main office and an additional branch in Haverhill are located in low-income census tracts. The branch in Bradford is located in a moderate-income census tract. The other three branches are located in middle-income census tracts. All of the branch locations accept deposits and provide a full range of deposit products, loan products and financial services to retail and commercial customers. Haverhill Bank also has limited-service branches in Haverhill located at Haverhill High School and Whittier Vocational Technical High School both of which are also in moderate-income tracts. The Bank opened its Salem, New Hampshire branch on December 13, 2013.

Table 1 details the distribution of the Bank's loan portfolio as of December 31, 2014. Loans secured by residential properties account for the most significant portion of the loan portfolio, at 72.5 percent. This percentage includes revolving, open-end lines of credit; closed-end mortgages, both first and junior liens; and, loans secured by multi-family residential properties. Commercial real estate loans account for the second highest proportion at 12.7 percent.

Table 1 – Loan Portfolio Distribution as of December 31, 2014		
Loan Type	Dollar Amount \$(000)	Percent of Total Loans (%)
Construction, Land Development, and Other Land Loans	16,671	6.7
Secured by farmland (including farm residential and other improvements)	343	0.1
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	9,690	3.9
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	161,971	64.7
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	4,844	1.9
Secured by Multi-Family (5 or more) Residential Properties	5,070	2.0
Secured by Nonfarm Nonresidential Properties	31,798	12.7
Loans Secured by Real Estate	230,387	92.0
Commercial and Industrial	15,975	6.4
Loans to Individuals for Household, Family, and Other Personal Expenditures	3,875	1.6
TOTAL LOANS	250,237	100.0

Source: Bank call report December 31, 2014

As of December 31, 2014, the Bank had total assets of \$334.3 million and total loans of \$250.2 million, which represents 74.8 percent of total assets. Haverhill Bank's total assets increased from \$165.1 million to \$334.3 million, or approximately 102.5 percent, since the previous evaluation; loans increased approximately 129.1 percent. The increase in total assets, as well as in total loans, is attributed both to the merger with Economy Co-operative Bank and to organic growth.

The Bank's last CRA evaluation was conducted jointly by the FDIC and the Division as of June 1, 2009, using Small Bank evaluation procedures. This evaluation resulted in a "Satisfactory" rating. There are currently no legal or financial impediments that would limit the ability of the Bank to meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank includes contiguous portions of Essex County in Massachusetts (MA) and Rockingham County in New Hampshire (NH) as its assessment area. Both counties are located within the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA). The Bank defined its assessment area as the Massachusetts communities of Haverhill, Groveland and Merrimac, and the New Hampshire communities of Atkinson, Plaistow, and Salem.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state borders; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate- income areas.

Furthermore, Haverhill Bank opened a new branch in Salem, New Hampshire, in December 2013. In addition to the new Salem branch, the Economy Co-operative Bank merger resulted in a new branch in Merrimac, Massachusetts. As a result of the new branches, the Bank expanded its assessment area to include both Merrimac and Salem. Consideration is given to certain demographic data about the assessment area when analyzing the Bank's CRA performance.

The Office of Management and Budget (OMB) released the revised delineations of MSAs in February 2013. The new MSA definitions released in February 2013 apply to HMDA and CRA data collected on or after January 1, 2014, and are incorporated in the 2014 Census data and Geocoding System. Due to the implementation of the new OMB delineations (noted above) the FFIEC recalculated the MSA/MD (or statewide Non-Metro) median family and household incomes levels. The OMB revised delineations resulted in several middle- and upper-income census tracts being reclassified as moderate-income tracts in 2014. The number of low-income tracts remained constant. Table 2 details 2013 and 2014 demographic data for the assessment area, as applicable.

Table 2 – Assessment Area Demographic Information

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (2013)	23	8.7	13.0	65.3	13.0
Geographies (2014)	23	8.7	26.1	56.5	8.7
Population by Geography	116,812	8.1	10.9	67.3	13.7
Owner-Occupied Housing by Geography	32,787	3.1	8.9	72.3	15.7
Businesses by Geography (2014)	8,724	9.5	13.9	68.3	8.3
Family Distribution by Income Level (2013)	30,561	19.8	18.6	22.9	38.7
Family Distribution by Income Level (2014)	30,561	21.8	20.1	23.6	34.5
Median Family Income (MFI)		\$84,565	Median Housing Value:		\$301,176
MD# 37764 2013 MFI		\$83,500	Unemployment Rate:		7.2%
MD# 40484 2013 MFI		\$87,000	Families Below Poverty Level		5.4%

Source: 2010 U.S. Census; 2013 FFIEC Estimated Median Family Incomes, unless otherwise noted

Geographies

The Geographic Distribution factor of the Lending Test evaluates the distribution of loans by census tract income level, comparing the Bank's lending against the distribution of census tracts. Considering the OMB changes between 2013 and 2014, the number and percentage of moderate-income tracts doubled in 2014. The increase in moderate-income tracts is attributed to the reclassification of several middle- and upper-income tracts.

Population and Families

Based on 2010 U.S. Census data, the total population of the assessment area is 116,812, which is composed of 45,283 households, of which 30,561 are families. Of these families, 19.8 percent are low-income; 18.6 percent are moderate-income; 22.9 percent are middle-income; and 38.7 percent are upper-income. It is also noted that 5.4 percent of assessment area families have incomes below the poverty level.

While the number of families remained constant between 2013 and 2014, the OMB changes resulted in a slight shift in terms of the composition of families by income level. In particular, the percentage of low-income families increased to 21.8 percent, and the percentage of moderate-income families increased to 20.1 percent. The distribution of families by income level is used as a comparative measure in the Borrower Characteristics performance factor for home mortgage loans under the Lending Test.

Housing

There are 48,188 housing units in the assessment area. Of these housing units, 68.1 percent are owner occupied, 25.9 percent are occupied rental units, and 6.0 percent are vacant. Of all owner-occupied housing units in the assessment area, 3.1 percent are in low-income tracts; 8.9 percent are in the moderate-income census tracts; 72.3 percent are in the middle-income tracts; and 15.7 percent are in the upper-income tracts. The small proportion of owner-occupied units in low- and moderate-income tracts suggest limited home mortgage lending opportunities within tracts of those income designations. The median housing value for the assessment area based on 2010 Census data was \$301,176.

Unemployment

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 7.2 percent. More recent data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2013 unemployment rate as of December was 5.1 percent for Massachusetts and 5.3 percent in New Hampshire. The unemployment rate was 6.3 percent in Essex County and 4.9 percent in Rockingham County. The unemployment rates in New Hampshire and Massachusetts were stable to improving in 2014 when compared to 2013 data.

Businesses

According to 2014 Dun and Bradstreet business demographic data, there were 8,724 non-farm businesses in the assessment area, of which 72.5 percent have gross annual revenues (GAR) of \$1 million or less, 6.3 percent have GAR greater than \$1 million, and the remaining 21.2 percent have unknown revenues. Of the total businesses in the assessment area, 9.5 percent are in low-income census tracts; 13.9 percent are in the moderate-income census tracts; 68.3 percent are in the middle-income census tracts; and 8.3 percent are in upper-income census tracts. These data are used for comparison purposes when analyzing small business lending under the Geographic Distribution and Borrower Characteristic performance factors.

The largest portion of these businesses are engaged in the services industry (43.5 percent), followed by retail trade (13.6 percent), construction (10.5 percent), and finance, insurance, and real estate (7.3 percent). Of the businesses that reported the relevant data, 66.7 percent have four or fewer employees and 91.5 percent operate from a single location.

Competition

Haverhill Bank operates in a competitive market in terms of financial services. There is competition for loans among numerous banks, credit unions, and non-depository mortgage lenders that operate in the area. In 2013, lenders reported a total of 5,574 residential mortgage loans originated or purchased within the assessment area. Haverhill Bank ranked 16th out of this group of 277 lenders, with a market share of 1.4 percent. Among the more prominent financial institutions competing with the Bank within the assessment area were Wells Fargo Bank, NA, ranked 1st; JPMorgan Chase Bank, NA, ranked 2nd; and Bank of America, NA ranked 3rd. Local institutions ranked ahead of the Bank included Pentucket Bank, ranked 9th; Salem Cooperative Bank, ranked 11th; and Merrimack Valley Federal Credit Union, ranked 6th.

Community Contact and Community Needs

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

The third party contacted provides employment support, independent living skills, and affordable housing to disabled individuals located in throughout the Merrimack Valley and greater Haverhill area. The contact indicated there is a continued need for affordable housing in Haverhill. This individual also noted there are many vacant lots located across the city and

multiple buildings in the downtown area of Haverhill that are in need of revitalization. The contact stated that local area institutions have assisted in smaller renovation projects. The contact also stated that the area's Community Development Corporations (CDCs) need referral resources to help navigate the complex loan products for affordable housing not routinely offered by local financial institutions. The contact feels this would help more projects get financing and attract potential project applicants to approach local lenders for financing. Further, the contact mentioned that Haverhill Bank is actively involved in the community, both financially and in terms of providing community development services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: LTD Ratio, Assessment Area Concentration, Geographic Distribution, Borrower Characteristics, and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is "Satisfactory."

Loan-to-Deposit Ratio

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. The Bank's LTD ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs. The analysis utilized quarterly Call Report data for the period ending June 30, 2009, through December 31, 2014. As the Bank sells residential loans on the secondary market, these loans are not reflected in the LTD ratio. Secondary market activity provides further support to this performance factor conclusion.

Over the past 23 quarters, the LTD ranged from a low of 84.1 percent as of September 30, 2010, to a high of 96.5 percent as of December 31, 2013. Table 3 shows the average net LTD for Haverhill Bank, as well as for the similarly situated institutions. Although the Bank's average ratio of 88.8 percent is below the range of 92.7 percent to 97.1 percent for similarly situated banks, it is reasonable overall.

Table 3 –Loan-to-Deposit Comparison		
Bank Name	Total Assets as of 12/31/2014 (millions)	Average Net LTD Ratio
		6/30/09-12/31/14
Haverhill Bank	\$334	88.8%
Beverly Bank	\$348	97.1%
Northmark Bank	\$329	93.1%
Salem Co-operative Bank	\$401	92.7%

Source: June 30, 2009 – December 31, 2014 Call Reports

Assessment Area Concentration

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area by evaluating the amount of lending conducted within the assessment area. The analysis includes both residential and a sample of commercial loans. Table 4 depicts the Bank's record of originating loans inside and outside the assessment area during the review period.

Table 4 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans				Total	Dollars in Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home										
2013	79	62.2	48	37.8	127	13,793	52.5	12,491	47.5	26,284
2014	58	61.7	36	38.3	94	9,302	49.8	9,363	50.2	18,665
Subtotal	137	62.0	84	38.0	221	23,095	51.4	21,854	48.6	44,949
Commercial*										
2014	4	50.0	4	50.0	8	1,715	62.9	1,013	37.1	2,728
Total	141	61.6	88	38.4	229	24,810	52.0	22,867	48.0	47,677

Source: 2013 and 2014 HMDA Data, 2014 Haverhill Bank records

Home Mortgage Loans

The Bank originated a majority of its home mortgage loans inside the assessment area during the evaluation period. The percentage of loans originated in the assessment area by number receives more emphasis as it has a more direct correlation to the number of borrowers served. As a result of decreased refinance activity overall, the volume of home mortgage lending declined in 2014 when compared to 2013 levels.

Commercial Loans

While half of the sampled commercial loans were originated in the assessment area by number of loans, a majority (62.9 percent) was originated in the assessment area by dollar volume.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. As previously mentioned, the assessment area contained two low-income census tracts and three moderate-income census tracts in 2013. While the number of low-income tracts remained constant in 2014, the number of moderate-income tracts doubled. The following sections discuss the Bank's performance by loan type.

Home Mortgage Loans

The distribution of the Bank's home mortgage loans reflects reasonable dispersion throughout the assessment area. Table 5 presents the Bank's home mortgage lending performance by number of loans in 2013 and 2014, as well as aggregate lending data for 2013. Table 6 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 5 – Distribution of Home Mortgage Loans by Income Category of the Geography				
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	Bank #	Bank %
Low				
2013	3.1	4.1	9	11.4
2014	3.1	NA	3	5.2
Moderate				
2013	8.9	8.6	4	5.1
2014	17.4	NA	12	20.7
Middle				
2013	72.3	71.4	51	64.6
2014	68.1	NA	34	58.6
Upper				
2013	15.7	15.9	15	19.1
2014	11.4	NA	9	15.5
NA				
2013	0.0	0.0	0	0.0
2014	0.0	NA	0	0.0
Total				
2013	100.0	100.0	79	100.0
2014	100.0	N/A	58	100.0

Source: 2010 U.S. Census; 2013 and 2014 HMDA Data; 2013 HMDA Aggregate Data,

In 2013, the Bank's performance of lending in low-income tracts, at 11.4 percent, exceeded aggregate performance of 4.1 percent and demographic data at 3.1 percent. This level of lending accounted for a 3.9 percent market share and a rank of 7th in low-income tracts. Large national or regional banks and mortgage companies ranked higher. For example, Wells Fargo Bank NA ranked 1st, Bank of America NA ranked 2nd, and JP Morgan Chase ranked 3rd. While the Bank's level of lending in low-income tracts decreased to 5.2 percent in 2014, it still exceeded the percentage of owner-occupied housing units located in tracts of that income level.

In 2013, the Bank's performance of lending in moderate-income tracts, at 5.1 percent, was below aggregate performance of 8.6 percent and demographic data at 8.9 percent. In 2014, the number of loans in moderate-income tracts increased significantly, due in part to the increase in number of such tracts based on OMB changes in census tract delineations. Bank performance of 20.7 percent exceeded the percentage of owner-occupied housing units in moderate-income tracts of 17.4 percent in 2014.

For 2013, the Bank ranked 21st out of 148 lenders with a 1.2 percent market share in terms of lending in moderate-income tracts. Large national or regional banks, credit unions, and mortgage companies such as, Wells Fargo Bank, N.A., Bank of America, N.A., JP Morgan Chase Bank and

CitiMortgage, Inc. ranked ahead of the Bank. Furthermore, local institutions Pentucket Bank and Merrimack Valley Federal Credit Union ranked 6th and 11th, respectively.

Commercial Loans

The geographic distribution of the Bank's sampled commercial loans reflects reasonable dispersion throughout the assessment area. Table 6 depicts the distribution of sampled loans, as well as the percentage of businesses, by census tract income level.

Table 6 – Distribution of Commercial Loans by Income Category of the Geography			
Tract Income Level	% of Businesses	Bank #	Bank %
Low			
2014	9.5	0	0.0
Moderate			
2014	13.9	2	50.0
Middle			
2014	68.3	2	50.0
Upper			
2014	8.3	0	0.0
Total			
2014	100.0	4	100.0

Source: 2014 D&B Data and 2014 Bank records.

In 2014, half the sampled commercial loans were in moderate-income tracts, while the remaining half were in middle-income tracts. While none of the four loans in the assessment area were made in low-income tracts, the two loans in moderate-income census tracts compare favorably to the percentage of businesses located in these tracts. Considering the small sample size, performance is reasonable.

Borrower Characteristics

The distribution of loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes. The following sections discuss the Bank's performance by loan type.

Home Mortgage Loans

The Bank demonstrated reasonable performance of home mortgage lending to borrowers of different income levels. Table 7 shows the distribution of home loans by borrower income level in 2013 and 2014, and presents 2013 aggregate data and the distribution of families by income level for comparison purposes.

Table 7 – Distribution of Home Mortgage Loans by Income Category of the Borrower				
Borrower Income Level	% of Families	Aggregate Performance % of #	Bank #	Bank %
Low				
2013	19.8	9.6	4	5.1
2014	21.8	N/A	9	15.5
Moderate				
2013	18.6	22.4	15	19.0
2014	20.1	N/A	12	20.7
Middle				
2013	22.9	26.3	25	31.6
2014	23.6	N/A	16	27.6
Upper				
2013	38.7	31.2	27	34.2
2014	34.5	N/A	18	31.0
Income NR				
2013	0.0	10.5	8	10.1
2014	0.0	N/A	3	5.2
Total				
2013	100.0	100.0	79	100.0
2014	100.0	N/A	58	100.0

Source: 2010 U.S. Census; 2013 and 2014 HMDA Reported Data; 2013 HMDA Aggregate Data,

In 2013, the Bank's performance of lending to low-income borrowers was less than aggregate and demographic data. However, the Bank ranked 22nd of 68 lenders that originated loans to low-income borrowers, which represented a market share of 1.1 percent. The institutions ranked ahead of Haverhill Bank were primarily large national or regional banks and mortgage companies. For example, Bank of America, N.A. ranked 1st; Wells Fargo Bank, N.A. ranked 3rd, and Citibank ranked 4th. Local institutions ranked ahead of the Bank were Merrimack Valley Federal Credit Union, which ranked 2nd, and Pentucket Bank, which ranked 10th. Furthermore, the Bank's number and percentage of loans to low-income borrowers increased significantly in 2014 when compared to 2013 levels.

The Bank originated 18.9 percent of its home mortgage loans to moderate-income borrowers in 2013. This figure is below the aggregate of 22.4 percent; however, it exceeded the percentage of moderate-income families at 18.6 percent. In 2013, the Bank ranked 16th out of 117 lenders with a 1.7 percent market share. In addition, institutions ranked ahead of Haverhill Bank were large national institutions. Wells Fargo Bank, N.A. ranked 1st; JP Morgan Chase Bank, N.A. ranked 2nd; Mortgage Network ranked 3rd; and Bank of America, N.A. ranked 4th. Local financial institutions, including Merrimack Valley Federal Credit Union and Pentucket Bank, ranked 8th and 11th respectively. Demonstrating a slightly increasing trend in 2014, the Bank originated 20.7 percent of its home mortgage loans to moderate-income borrowers.

Commercial Loans

The distribution of the Bank's sampled commercial loans by GAR level is reasonable. Table 8 illustrates the distribution of sampled commercial loans by GARs, as compared to the distribution of businesses by GAR level throughout the assessment area.

Table 8 – Distribution of Commercial Loans by Gross Annual Revenue Category			
Gross Annual Revenues	% of Businesses	Bank #	Bank %
≤\$1,000,000			
2014	72.5	1	25.0
>1,000,000 or NR			
2014	27.5	3	75.0
Total			
2014	100.0	4	100.0

Source: Haverhill Bank records, 2014 D&B Data;

In 2014, the Bank made 25.0 percent of the sampled commercial loans to businesses with GARs under \$1 million. While this number is below the percentage of small businesses in the assessment area, the sample is small and conclusions are limited.

Response to CRA Complaints

Haverhill Bank did not receive any CRA-related complaints during the evaluation period.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of the substantive provisions of anti-discrimination laws and regulations, or other illegal credit practices, were identified.

COMMUNITY DEVELOPMENT TEST

Community development activities considered for the Community Development Test include:

- (1) Affordable housing (including multi-family rental housing) for low- or moderate-income individuals;
- (2) Community services targeted to low- or moderate-income individuals;
- (3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company Programs or have gross annual revenues of \$1 million or less;
- (4) Activities that revitalize or stabilize low- or moderate-income geographies; or
- (5) Loans, investments, and services that support, enable, or facilitate Neighborhood Stabilization Program (NSP) eligible activities in designated target areas.

Haverhill Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Community Development Loans

A community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under commercial or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

The Bank originated 21 community development loans totaling approximately \$9.7 million in its assessment area. This equates to 3.9 percent of total loans as of December 31, 2014. Table 9 depicts the Bank's community development loans by year and purpose.

Table 9 - Community Development Loans								
Activity Year	Qualifying Category						Totals	
	Affordable Housing Targeted to LMI		Community Services Targeted to LMI		Economic Development/ Revitalization			
	#	\$	#	\$	#	\$	#	\$
6/1/2009–12/31/2009	0	0	0	0	2	571,577	2	571,577
2010	0	0	0	0	1	151,900	1	151,900
2011	0	0	2	1,500,000	0	0	2	1,500,000
2012	1	375,000	0	0	3	4,123,482	4	4,498,482
2013	2	825,000	2	450,000	6	1,141,267	10	2,416,267
2014	0	0	0	0	1	100,000	1	100,000
1/1/2015-3/2/2015	0	0	0	0	1	500,000	1	500,000
Total	3	1,200,000	4	1,950,000	14	6,588,226	21	9,738,226

Source: Internal bank records 6/2009-3/2015

Described below is a representative sample of the projects funded:

- In 2011, the Bank made a \$1 million loan to a non-profit organization that provides nursing and rehabilitation services to residents of the Greater Haverhill area. The majority of the Center's clients receive Medicaid benefits. Over 61 percent of the Center's revenue is derived from this source of funding.
- In 2011, the Bank made a \$500,000 line of credit to a non-profit organization that provides vocational training and job placement services to people with disabilities to enable them to be valued and productive workers in the community. The organization also provides a wide range of residential and social support services to low- and moderate-income individuals. The Bank also made a \$200,000 term loan to this entity to make capital improvements to their job training facility in 2013. This expansion increased the organization's capacity for individuals served.

- In 2012, Haverhill Bank made a \$375,000 term construction loan to a company that specializes in the creation and retention of affordable housing. The construction loan was used to create four units of affordable housing. This project also received funding from the Neighborhood Stabilization Program, and is managed by Arlington Community Trabajando (ACT). ACT is a non-profit Community Development Corporation, serving the City of Lawrence, Massachusetts. ACT is dedicated to empowering residents with a range of community development initiatives and activities that benefit low- and moderate-income individuals and families. Services include those related to affordable housing, foreclosure prevention, first-time homebuyer education, family financial literacy, business and youth development. The proceeds of the loan benefited the broader statewide area, and benefited a city that is designated by HUD under a Community Renewal Initiative Program.
- In 2013, the Bank made a \$425,000 term construction loan to a non-profit organization that provides housing and daycare services to low- and moderate-income seniors. The loan was used to fund improvements to the organization's facility in Haverhill.
- In addition, the Bank made 11 SBA 504 loans totaling approximately \$3.7 million to businesses within the assessment area. By definition, the SBA 504 loans provide economic development and promote job creation. Proceeds from these loans benefited the entire assessment area and broader statewide and regional areas including the assessment area.

Qualified Investments

A qualified investment is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The Bank's qualified investment activity during the evaluation period consists entirely of qualified donations.

Between January 1, 2012, and February 28, 2015, the Bank made 245 qualified donations totaling \$214,552. The donations provided by the Bank helped various organizations provide services to low- and moderate-income individuals and families. These services included food assistance, financial education, social services, affordable housing, and homelessness prevention. Table 10 illustrates the Bank's qualified donations by year and purpose.

Table 10 – Qualified Donations												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Neighborhood Stabilization Projects		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2012	3	1,750	78	51,953	0	0	5	6,310	0	0	86	60,013
2013	1	1,250	63	58,999	0	0	1	2,500	0	0	65	62,749
2014	1	1,250	77	76,272	0	0	0	0	0	0	78	77,522
1/1/15-2/28/15	0	0	16	14,268	0	0	0	0	0	0	16	14,268
Totals	5	4,250	234	201,492	0	0	6	8,810	0	0	245	214,552

Source: Haverhill Bank records.

The following is a sample of the organizations that received qualified donations from Haverhill Bank.

Haverhill Boys and Girls Club

This organization provides children and young adults a safe place to learn and grow, life enhancing programs and character development experiences. More than 65 percent of the members served come from low-income households.

Penacook Place

This organization provides affordable housing to elders residing in Haverhill. The organization also maintains a rehabilitation facility to meet residents' medical needs. A majority of residents are low- or moderate-income.

Emmaus

Emmaus is a community-based non-profit corporation founded in 1985 to provide housing and services to homeless adults and families in Haverhill, Massachusetts.

Career Resources Corporation

Based in Haverhill, this organization provides vocational, day habilitation and residential services to disabled individuals. The organization's goal is to promote greater independence and economic self-sufficiency for the disabled through job placement and affordable housing. All the people served by the organization are low-income.

Church World Service

Part of the national organization, this chapter is located in Plaistow, New Hampshire, and holds fundraisers for local food pantries and other charitable organizations in the area. The organization's biggest event is the CROP Walk for Hunger, an event toward which the Bank has donated several times during the evaluation period.

Salem Family Resources

This organization provides affordable childcare, education, mental health screenings, parenting classes, and other family-based services to families in Salem, New Hampshire. Most of the programs and services are offered free of charge, and a majority of the families served are low- or moderate-income.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services. Bank employees are involved in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial or technical expertise while serving as Directors, officers, committee members, and volunteers. The following is a complete listing of the six organizations to which Bank employees provided community development services during the evaluation period.

Bank Employee and Director Involvement

Bethany Community Services

An Officer of Haverhill Bank is a member of the Board of Directors and sits on the Property Committee for Bethany Homes. This non-profit organization's mission is to provide housing and support services to low- and moderate income seniors living in the Greater Haverhill area.

Penacook Place

Haverhill Bank's President and Chief Executive Officer (CEO) serves as First Vice Chair of the Board of Directors, and is a member of the Executive Committee and the Nominating Committee. This organization provides affordable housing to low- and moderate-income elderly citizen residing in the City of Haverhill.

The Greater Haverhill Foundation

The Bank's President and CEO serves on the Board of Directors and the Executive Committee. This organization's mission is to further the community and economic development of Haverhill. The mission is to continue the revitalization of low and moderate-income areas of Haverhill including the downtown area.

Community Action, Inc.

A Senior Vice President of the Bank serves on the Board of Directors of Community Action, Inc. The organization is a private non-profit established to address the causes and consequences of poverty in Haverhill and the surrounding area. The organization provides social services, education, emergency shelter and childcare to low- and moderate-income individuals and families.

Career Resources Corporation

An Officer of Haverhill Bank is a member of the Board of Directors of Career Resources Corporation (CRC), a non-profit organization that provides social services, job training and support to individuals with disabilities and other challenges to be as self-sufficient and as successful as possible. The majority of those served by CRC are low- and moderate-income individuals.

Haverhill Community Violence Prevention Coalition

An employee of Haverhill Bank is the Board Secretary of the organization. Haverhill Community Violence Prevention Coalition (HCVPC) coordinate services for those persons experiencing and, or witnessing violence. Additionally, HCVPC provides outreach, violence prevention education, and teen mentoring at Haverhill High School, a public school that 51 percent of the student bodies are of low- or moderate-income and receives free meals.

APPENDIX A

Massachusetts Division of Banks Fair Lending Policies and Procedures Review

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Bank's Loan Policy prohibits discrimination, and is in compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's Loan Policy are procedures for a second review of denied loan applications.

Minority Application Flow

The Bank's residential lending activity in 2013 was compared to 2013 aggregate data to assist in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Table A-1 depicts the Bank's minority application flow for 2013 and 2014, and includes 2013 aggregate data for comparison.

Table A-1 – Minority Application Flow					
RACE	Bank 2013		Aggregate Data 2013	Bank 2014	
	#	%	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	0	0.0
<i>Asian</i>	0	0.0	1.2	2	2.1
<i>Black/ African American</i>	1	1.0	1.0	1	1.1
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	1.0	1.1	0	0.0
Total Minority	2	2.0	3.6	3	3.2
<i>White</i>	88	85.4	77.5	67	71.3
<i>Race Not Available</i>	13	12.6	18.9	24	25.5
Total	103	100.0	100.0	94	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	0	0.0	2.9	0	0.0
<i>Not Hispanic or Latino</i>	88	85.4	76.8	70	74.5
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	1	1.0	1.1	0	0.0
<i>Ethnicity Not Available</i>	14	13.6	19.2	24	25.5
Total	103	100.0	100.0	94	100.0

Source: HMDA 2013 Aggregate, Bank's HMDA 2013 and 2014 HMDA Reports

The population of the Bank's assessment area is 116,812, of which 14.0 percent are minorities. The assessment area's minority population includes 1.6 percent Black/African-American, 1.8 percent Asian/Pacific Islander, 0.1 percent American Indian, 9.1 percent Hispanic or Latino and 1.4 percent other race.

In total for 2013 and 2014, the Bank received 197 HMDA reportable loan applications within its assessment area. Of these applications, five, or 2.5 percent, were received from applicants of

racial minority. The Bank also received one application, or 0.5 percent, from a Hispanic/Latino applicant.

In 2013, the Bank received two applications, or 2.0 percent, from minorities, which is below the aggregate of 3.6 percent. Of these two applications, one, or 50.0 percent, resulted in an origination, compared to the aggregate origination rate of 63.7 percent. In addition, the Bank received one application, or 1.0 percent, from joint applicants in which one applicant was Hispanic or Latino, compared to 4.0 percent for the aggregate. This application resulted in an origination as compared to the 68.7 percent origination rate for the aggregate. In 2014, the Bank received three applications, or 3.2 percent, from minorities. The Bank did not receive any applications from Hispanic or Latino applicants for that year. When compared to assessment area demographics and aggregate data, the Bank's minority application flow is adequate.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.